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SECRET

AI

AUSTRIA

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BELGIUM AND LUXEMBOURG

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BELGIUM AND LUXEMBOURG

A. Freeports

Antwerp, free trade facilities but not an official freeport. There is a free customs bonded ware house (Entrepot Public) where all kinds of goods may be manipulated, repacked, and remarked etc.

B. Transshipment Controls \*

The Belgian legislation permits the transit of merchandise by any mode of transportation to be controlled by license. Goods so controlled at present are arms, amunitions and implements of war, together with certain petroleum products. With regard to the petroleum products a transit license is not required when the transport is made under customs surveillance. This exemption can be withdrawn in certain cases. The customs authorities are not empowered to impose restrictions on transit traffic other than those resulting from the license referred to above.

The control of goods in transit, which are subject to license covers any transshipment which might take place in the course of the transport, irrespective of the manner or place of the transshipment.

Goods consigned to a bonded warehouse are excluded from this control on entering the warehouse but a transit license is required for arms, munitions and instruments of war which, on leaving the warehouse are consigned to a foreign country.

Goods which stay on board a ship that changes its destination at sea, or even that comes into a Belgian harbor without unloading cannot be controlled by means of a transit license.

No area or zone is exempt from these regulations in Belgium. Goods subject to transit license are subject to such a license irrespective of the country of destination.

A transit license is required in support of the customs declaration. The customs insure, in so far as possible, that the conditions imposed on the use

\*Note: The term transit used here applies to all transports of goods on the Belgo-Luxembourg customs territory including the transshipment operations mentioned in paras. 2-4 under transshipment controls. The terms transshipment and transshipment license are not used in the Belgo-Luxembourg Regulations.

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on the use of the license are properly fulfilled, in particular those referring to the country of destination. Before a license is granted use is made of the IC/DV System in order to insure that the ultimated destination is as stated on the application.

Belgian Customs Legislation provides for temporary imports, the majority of which can be made without license i.e. motor cars on an international travel document, samples etc. In other cases (in particular goods which have to be made the subject of further manufacture) import and export licenses are required on every occasion. Even therefore, in the event of goods not being subject to transit license, their import and re-export can be controlled if they have been customs processed in Belgium.

With regard to national and non-nationals, according to Belgian customs regulations goods can be cleared through the customs by the person who has their disposal, irrespective of his nationality or place of residence. On the other hand if clearance is subject to the production of a license delivered to a specific person, the Customs will not permit the intervention of any other person unless in possession of a mandate to that effect from the license holder. (may be a loophole) Thus the system does not differ in application to resident and non-residents.

The Belgian authorities can refuse to allow goods in transit to be loaded for carriage to the destination desired by the owner in the event of no license being available in respect of goods which are subject to such license. (see requirements above)

#### C. Transactions or Financial Controls

All persons and firms resident in Belgium and Luxembourg are required to obtain prior authorization from the Belgo-Luxembourg Exchange Institute for all buying and selling transactions abroad. When foreign exchange is paid in advance by the ultimate purchaser of the goods, it can be made without prior authority. When foreign exchange is held abroad, in the same way, prior authority is always required for any transaction whatsoever in foreign currencies or in order to hold foreign currencies at home or abroad. No general permissions are granted to selected firms or individuals.

The Exchange Control can insure that when exchange control permission is given for a transaction, the foreign currency is not spent on the purchase of strategic goods for eventual shipment to the Soviet Bloc or China by application of the IC/DV System as for ordinary exports.

In principal and by application of the IC/DV System, and, if called for in the event of suspicion, by asking to see the invoices and way bills, and by carrying out accountancy checks before granting the final authority for the release of the foreign currency, the exchange control system can determine whether the goods which never entered the country are not strategic goods

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strategic goods and that the authorized person or firm delivered the goods as authorized and not to another country.

The regulations make no distinction as between nationals and non-nationals residing in Belgium or Luxembourg.

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DENMARK

A

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DENMARK

A. Freeports

Copenhagen, foreign trade zone

B. Transshipment Controls

Denmark requires transshipment license for land, sea, and air traffic in Munition List, List I and List II items, if transhipped to any destination. The Danish system of financial controls also serves as a check against illegal transshipments. Transshipment controls are applicable: (a) to goods landed on the quay side for transshipment to another ship, (b) goods transferred direct or by means of a lighter to another craft, and (c) goods landed and kept in bond but not to goods which stay on board a ship which calls en route for another destination.

Goods in transit at land frontiers or at airports are also controlled with the exception of those transitting on a through bill of lading without any change of ultimate destination and goods are not unloaded from airplanes in transit traffic.

Documentation requested by the export control officers (or the National Bank) are, an application from the exporter (merchant) giving all details. When strategic commodities are exported, an import certificate or end-use statement is normally required. Physical control is carried out by the customs authorities who check the export license against the commodity and supervise the loading of the goods into the ship or airplane. Goods exported by railroad or by mail are checked in a similar way by the officials of the State Railway or the Post Office. Technical experts are available whenever necessary. No area or zone is exempt from these regulations.

The above regulations apply to goods owned by nationals and non-nationals but the applicant must be a resident of Denmark.

C. Transactions or Financial Controls

Any purchase of foreign exchange by a person or firm residing in Denmark for goods abroad in any currency for any purpose other than import into Denmark or for consumption or use in the country of purchase, must be authorized by the National Bank of Denmark. If foreign exchange does not need to be purchased the Danish government would not be aware of the transaction, however, Danish nationals are only allowed to hold foreign exchange in foreign banks for special purposes and any foreign exchange earned by Danish residents must be repatriated within a very short period of time.

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EGYPT

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A. Freeports

Alexandria, foreign trade zone  
Port Said, foreign trade zone

B. Freeport Regulations

The Council of Ministers in its meeting of 2 December 1952 agreed upon the text of a Decree-Law permitting persons and companies to establish Free Zones in Egyptian ports upon request to the Customs Administration and authorization from the Minister of Finance and Economy.

Synoptical translation of the Decree-Law

Art. 1 - Authorizes creation of free zones in any Egyptian port or contiguous area upon proposal by the Customs Administration, for those operations listed in Art. 3 below. Permission is given by a Decree from the Minister of Finance and Economy specifically mentioning location and limits of the zone.

Art. 2 - Persons or companies cannot occupy free zones unless authorization is obtained from the Customs Administration, approved by the Minister of Finance. Must mention reasons for which accorded, duration, and amount of guarantee posted. Special permission to occupy the zone may be granted if activities are limited to one person only.

Art. 3 - Following operations authorized in free zones:

A. Storage of merchandise in transit, and local or foreign merchandise free of customs duties and destined for exportation, without however contravening laws now in force concerning merchandise, imports, etc.

B. Sorting, cleaning or mixing merchandise, repacking or any other operation modifying them in accordance with commercial demand.

C. Industrial operations necessary for assembling automobiles, trucks, tractors and airplanes, construction and refitting of ships if their principal parts have been imported, with faculty for completing equipment with Egyptian products.

D. Any other industry or operation needing benefits of free zone to take advantage of geographical location of the country and which does not represent competition for local industries. In the latter case a decision must be obtained from Council of Ministers to add these industries or work to similar industries or work mentioned in this article.

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Art. 4 - With the exception of prohibited merchandise, any foreign merchandise imported into the free zone is exempted from customs duties and formalities. Same applies to articles and machinery. All local merchandise is exempted from customs formalities if taken into free zones with consent of Customs Administration, except such items as are subject to export taxes and which cannot be entered into free zones without special authorization from competent authorities. In order to benefit from above exemptions it is necessary that they be in the free zone in their original packaging, under customs control and in conformity with provisions of Customs Administration.

Art. 5 - Merchandise imported into free zones is not subject to any restrictions while in the zone. Imports and exports from zone are not subject to restrictions on imports and exports except for exchange controls and which are the subject of special agreement with the Exchange Department.

Art. 6 - Articles exported or reexported are not subject to export duties unless raw materials usually subject to such tax enter into manufacture. In such case duty is calculated on basis of percentage of such raw materials entering into manufacture. Any foreign merchandise taken from the zone for local consumption will be subject to import duties. If articles are taken from free zone for local consumption after manufacture there, customs duties will be collected on any foreign materials entering into their manufacture, on basis of tariffs in force at time of withdrawal from free zone.

Art. 7 - Customs Administration will establish system for all operations of the free zones. Customs Administration has right to inspect all or part of free zones and to conduct inquiries.

Art. 8 - The Customs Administration will assign necessary number of employees and workmen for control and other work necessary for administration of zone, their salaries to be paid by the occupants of the free zone.

Art. 9 - Foreign merchandise in free zones cannot be consumed for personal use without payment of customs duties.

Art. 10 - It is forbidden to live in the free zone without special authorization of Customs Administration.

Art. 11 - An exception is made to Law No. 138 of 1947 (the Companies Law); by virtue of a decree from Minister of Commerce and Industry percentage of total number of Egyptian nationals employed may be reduced to 70% (instead of 75%) of total employees, and wages paid to Egyptian nationals may be reduced to 50% (instead of 65%) of total wages paid, for such time duration as may be fixed by the Minister.

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Art. 12 - Exemption is made from Law No. 11 of 1939 concerning taxes on profits of industries, so that commercial and industrial establishments in free zones are exempted from following taxes:

1) Tax on commercial and industrial profits insofar as net profits realized on foreign sales are concerned. The proportions of profits from these sales in overall costs is fixed in proportion to the total of export sales in relation to total sales in Egypt.

2) Taxes on profits from real estate mentioned in Arts. I and II of this law (of 1939).

To benefit from above exemptions, books must be kept in accordance with regulations of the Tax Administration showing sales abroad and locally and net profits from each. Minister of Finance and Economy will determine length of time each enterprise will benefit from above exemptions.

Art. 13 - Notwithstanding provisions of preceding articles, the free zone is subject to all laws and regulations in force in the Kingdom of Egypt, particularly those laws for prevention of contraband and fraud and for protection of public health and morals.

Art. 14 - Ministers of Finance and Economy and of Commerce and Industry are charged with application of this decree-law, which will be effective upon publication in the Official Journal. The Minister of Finance will make necessary decrees for execution of the law.

#### C. Transit Controls

There are no special licensing requirements or controls on goods in transit other than the ordinary customs supervision.

#### D. Financial Controls

Foreign exchange is under officials control. The basic regulation requires all foreign exchange earnings to be repatriated to Egypt within 6 months after the shipping date of goods. The law requires that all dollar holdings or payments received by Egyptian nationals or foreigners residing in Egypt be reported to the Egyptian Government and converted into Egyptian currency at the official rate unless they are the proceeds of cotton yarn and cloth or raw cotton exports in which cases 100 percent or 75 percent, respectively, of the dollars may be retained for up to 210 days in an "import entitlement" account usable to buy certain listed essential and semiessential commodities.

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## INFORMATION REPORT

OFFICE OF NAVAL INTELLIGENCE

ONI FORM 3820-2 (REV 12-51)

1018801

109-52

DATE OF REPORT

4 December 1952

Khartoum, Cairo, Egypt

SOURCE

Official

EVALUATION

A-2

REQUEST NO.

EGYPT - Creation of Free Zones in Egyptian Ports

Freeports Egypt  
701.0500

Council of Ministers has passed Decree-Law permitting establishment of free zones in Egyptian ports.

- Encl. a (1) Newspaper clipping of Complete Text of Decree-Law Creating Free Zones  
(2) Synoptical translation of encl. (1)  
(3) Newspaper clipping of Explanatory Note accompanying Text of Decree-Law

1. The Council of Ministers in its meeting on 2 December 1952 agreed upon the text of a Decree-Law permitting persons and companies to establish Free Zones in Egyptian ports upon request to the Customs Administration, and authorization from the Minister of Finance and Economy. The French language text of the law as published in the local press on 3 December is forwarded as enclosure (1), and a synoptical translation of it is forwarded as enclosure (2). This law becomes effective upon publication in the Official Journal, probably within the next two weeks.

2. As is customary with the publication of new laws, an Explanatory Note from the Minister of Finance and Economy accompanied the text of the law concerning establishment of Free Zones. Press clipping of this note is forwarded as enclosure (3). The following is a translation of the first four paragraphs in which the reasons for promulgation of the law are given:

The establishment of Free Zones is designed to lighten the restrictions on foreign commerce and to encourage transit commerce as well as to create certain industries inside these zones which will aid the country in obtaining foreign markets. That is why several countries have established free zones in which imported merchandise is stocked in order to undergo certain industrial

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Encl. (1)(3) - Op 322H5

Encl. (2) - Copy with each report.

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Re Cairo IR 109-52, of 4 December 1952

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Operations for reexport later, quite freely and without being subject to customs formalities except within very narrow limits, for these zones, even though located within the political frontiers of the countries, are in reality considered to be outside the customs limits.

States which have practiced the system of free zones have obtained substantial advantages from it insofar as export and transit commerce are concerned, as well as from the industrial viewpoint, all of which has resulted in a marked amelioration of their economic positions.

Certain countries have granted other facilities in addition to those mentioned above, such as the depot system, the "Draw Back", and temporary acceptance.

Egypt esteems that it is advantageous for her to apply this system with the shortest possible delay, and is ready to accord all guarantees and customs facilities required, as well as to extend reasonable tax exemptions to the free zones."

The rest of the explanatory note consists of commentary on the provisions of the various articles of the law.

3. No specific locations for establishment of the free zones is mentioned in the law. A press article of 13 November 1952 stated that the Customs Administration was taking steps to obtain passage of the law, and that the area chosen for the free zone in the Port of Alexandria would have an area of 70,000 sq. meters, to be located near the Coal Quay in the neighborhood of the El Mahmoudia customs. This article stated that laying out of the boundaries of this "vast area" (about 1 city block square) had already begun. No confirmation of this has been received.

Preparing Officer's Comment:

The creation of free zones in Egyptian ports has been advocated as one means of encouraging investments of foreign and local capital in industrial development. Benefits are the exemption from certain taxes, lowering percentages of Egyptian nationals who must be employed and the amount of wages paid them in relation to total number of employees and payroll, and the facility for importing items, heavy machinery for instance, to be used within the free zones in manufacturing processes, on which no customs duties would have to be paid. If administrative incomprehension and inefficiency do not render its application too difficult, this law may result in benefitting Egypt's commercial and industrial development.

Prepared and Forwarded:

  
M. SUTHERLAND  
Captain USN

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ENCL. (2)

NA Cairo IR 109-52, of 4 December 1952

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(Synoptical translation of the text of the Decree-Law concerning  
Creation of Free Zones in Egypt, as approved by the Council of  
Ministers on 2 December 1952)

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Art. 1 - Authorizes creation of free zones in any Egyptian port or contiguous area upon proposal by the Customs Administration, for those operations listed in Art. 3 below. Permission is given by a Decree from the Minister of Finance and Economy specifically mentioning location and limits of the zone.

Art. 2 - Persons or companies cannot occupy free zones unless authorization is obtained from the Customs Administration, approved by the Minister of Finance. Must mention reasons for which accorded, duration, and amount of guarantee posted. Special permission to occupy the zone may be granted if activities are limited to one person only. Beneficiary of authorization cannot enjoy exemptions and advantages provided in present law except for operations mentioned in his authorization.

Art. 3 - Following operations authorized in free zones:

A. Storage of merchandise in transit, and local or foreign merchandise free of customs duties and destined for exportation, without however contravening laws now in force concerning merchandise, imports, etc.

B. Sorting, cleaning or mixing merchandise, repacking or any other operation modifying them in accordance with commercial demand.

C. Industrial operations necessary for assembling automobiles, trucks, tractors and airplanes, construction and refitting of ships if their principal parts have been imported, with faculty for completing equipment with Egyptian products.

D. Any other industry or operation needing benefits of free zone to take advantage of geographical location of the country and which does not represent competition for local industries. In the latter case a decision must be obtained from Council of Ministers to add these industries or work to similar industries or work mentioned in this article.

Art. 4 - With the exception of prohibited merchandise, any foreign merchandise imported into the free zone is exempted from customs duties and formalities. Same applies to articles and machinery. All local merchandise is exempted from customs formalities if taken into free zones with consent of Customs Administration, except such items as are subject to export taxes and which cannot be entered into free zones without special authorization from competent authorities. In order to benefit from above exemptions it is necessary that they be in the free zone in their original packaging, under customs control and in conformity with provisions of Customs Administration.

Art. 5 - Merchandise imported into free zones is not subject to any restrictions while in the zone. Imports and exports from zone are not subject to restrictions on imports and exports except for exchange controls and which are the subject of special agreement with the Exchange Department.

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ENCL. (2)

Art. 6 - Articles exported or reexported are not subject to export duties unless raw materials usually subject to such tax enter into manufacture. In such case duty is calculated on basis of percentage of such raw materials entering into manufacture. Any foreign merchandise taken from the zone for local consumption will be subject to import duties. If articles are taken from free zone for local consumption after manufacture there, customs duties will be collected on any foreign materials entering into their manufacture, on basis of tariffs in force at time of withdrawal from free zone.

Art. 7 - Customs Administration will establish system for all operations of the free zones. Customs Administration has right to inspect all or part of free zones and to conduct inquiries.

Art. 8 - The Customs Administration will assign necessary number of employees and workmen for control and other work necessary for administration of zone, their salaries to be paid by the occupants of the free zone.

Art. 9 - Foreign merchandise in free zones cannot be consumed for personal use without payment of customs duties.

Art. 10 - It is forbidden to live in the free zone without special authorization of Customs Administration.

Art. 11 - An exception is made to Law No. 138 of 1947 (the Companies Law); by virtue of a decree from Minister of Commerce and Industry percentage of total number of Egyptian nationals employed may be reduced to 70% (instead of 75%) of total employees, and wages paid Egyptian nationals may be reduced to 50% (instead of 65%) of total wages paid, for such time duration as may be fixed by the Minister.

Art. 12 - Exemption is made to Law No. 14 of 1939 concerning taxes on profits of industries, so that commercial and industrial establishments in free zones are exempted from following taxes:

- 1) Tax on commercial and industrial profits insofar as net profits realized on foreign sales are concerned. The proportion of profits from these sales in overall costs is fixed in proportion to the total of export sales in relation to total sales in Egypt.
- 2) Tax on profits from real estate mentioned in Arts. I and II of this law (of 1939).

To benefit from above exemptions, books must be kept in accordance with regulations of the Tax Administration showing sales abroad and locally and net profits from each. Minister of Finance and Economy will determine length of time each enterprise will benefit from above exemptions.

Art. 13 - Notwithstanding provisions of preceding articles, the free zone is subject to all laws and regulations in force in the Kingdom of Egypt, particularly those laws for prevention of contraband and fraud and for protection of public health and morals.

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NA Cairo IR 109-52, of 4 December 1952

ENCL. (2)

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Art. 14 - Ministers of Finance and Economy and of Commerce and Industry are charged with application of this decree-law, which will be effective upon publication in the Official Journal. The Minister of Finance will make necessary decrees for execution of the law.

A5

FINLAND

FRANCE

A6

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FRANCE

A. Freeports

Cax, free trade zone

Haute Savoy, free trade zone

In reality these are the only official free zones in France, however, in other ports i.e., Marseilles, Bordeaux etc., and in Paris there are bonded stores for transit goods.

B. Transshipment Controls

France operates transshipment controls on sea, land and air traffic in strategic commodities, if the goods figure on the Munitions List whether or not the owner is a French resident and for items on List I and the majority of items on List II provided the owner is a French resident. No area or zone is exempt from these regulations.

C. Transaction or Financial Controls

Whatever the destination of the goods, no one is allowed to make purchases abroad without an authorization from the Government department concerned. This means in any currency. When a French resident acts on behalf of a foreigner, the transaction being financed abroad in its entirety, the operation by hypothesis, requires no prior authorization. If, however, the principal residing in France repatriates the price of his good offices, he can be asked for information as to the origin of funds.

No private funds may be held abroad without prior agreement. Any funds the French resident may dispose of within the framework of the rules in force may not be employed otherwise than as provided for in the texts of the regulations. In particular, the purchase of goods with these funds is subject to common law restrictions.

In the case of an authorization following the grant of an import license the regulations for the control of foreign trade make it possible to prevent any irregular operation. If a brokerage transaction is involved, the goods not being imported into France, the study of the files prior to the issue of an authorization makes it possible to learn the nature, origin, and destination of the goods, the nature of the currency paid and received: the destination or origin of these currencies completes the information at the disposal of the authorities in this connection. This is an indispensable complement to the physical controls carried out by the country of origin.

A7

GERMAN FEDERAL REPUBLIC

FEDERAL REPUBLIC OF GERMANY

A. Freeports

Hamburg, foreign trade zone  
Kiel, foreign trade zone  
Bremen, foreign trade zone  
Emden, foreign trade zone  
Flensburg, foreign trade zone

B. Transshipment Controls

Time did not allow for a thorough study of the rather involved German transshipment control system. In brief, Germany controls, to a certain extent, the transit of arm, munitions, and implements of war. In addition when a citizen of the German Federal Republic becomes the owner of any goods he must get a special authorization before the goods can be forwarded from Germany. These controls, together with the system of customs supervision, have been extended to the freeports in Germany.

C. Transaction or Financial Controls

All persons and firms resident in Germany are required to obtain the approval of the Exchange Control Authority before purchasing (whether as principals or as agents) any goods abroad in any currency for any purpose other than for import into Germany or for consumption or use in the country of purchase. In either case where the foreign exchange is paid in advance by the ultimate purchaser of the goods or where foreign exchange is held abroad or at home by a person or firm in Germany, an exchange control permission has to be procured in advance for the conclusion of a contract as well as for the fulfilment of the transaction including the financial settlement. This also applies, if the individual or firm holds the foreign exchange required for the settlement in an account with a foreign trade bank (Aussenhandelsbank) in the Federal Republic. (Merchanting trade fund - Transithandels-Fonds) Exchange control regulations do not permit the possession of foreign exchange accounts abroad. The conclusion and fulfilment of each merchanting transaction by means of claims to foreign exchange as a result of a currency retention scheme are excluded. Re-exportation of commodities acquired on the basis of import rights (Einfuhrrechte) is prohibited.

The conclusion and fulfilment of each merchanting transaction requires an exchange control permission to be procured in advance. Global licenses authorizing the conclusion of individual transactions up to DM 100,000 will only be granted to firms of good reputation, which are absolutely

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are absolutely reliable. In no case such global permissions authorize the carrying out of merchanting transactions with the Soviet bloc. In cases of transactions with the Soviet bloc countries as purchasers, special licenses are required. Such transactions are not only screened with respect to currency problems but also in regard to the strategic nature of the goods in question. This latter control is applied by the West-East Trade Group of the Federal Ministry of Economics, which group is the competent authority for the control of the trade with the Soviet orbit.

Pursuant to the wording of the exchange control licenses acquired in each case for the conclusion and fulfilment of merchanting transaction, the authorization does not entitle its bearer to spend the foreign exchange received under the permission, for the purchase of strategic goods destined to the Soviet bloc. Any use contrary to the regulations of the license granted is subject to punishment under the articles of Law No. 53. Routine exchange investigations are carried through. Here the performance of the authorized transactions is checked in detail by screening the files and documents of the traders concerned. Besides, the merchant is obliged to report immediate to the controlling agency each individual transaction concluded by him on the basis of a global permission granted to him and at the same time to state the country of supply and the country of purchase. Furthermore, on each merchanting transaction which is carried out, the merchant has to make a report which contains the amount and the currency of the sums paid and received. Thus the exchange controls checks that when permission has been given for a transaction the foreign currency is not spent on the purchase of strategic goods for eventual shipment to the Soviet bloc or China, and that when the goods never enter Germany at all, it checks that the goods are not strategic goods and that the authorized person or firm delivered the goods as authorized and not to another country.

Foreigners who have their permanent residence in the Federal Republic are subject to the same exchange control regulations as German nationals. No merchanting permission will be granted to foreigners who, although living in Germany, do not reside here permanently.

GREECE

A8

SECRET

GREECE

A. Freeports

Piraeus, foreign trade zone  
Salonika, foreign trade zone, including Yugoslavian area\*

B. Transshipment Controls

With regard to re-exports Greece informed CoCom in October 1953 that all re-exports from Greece were subject to licenses by the Ministry of Foreign Trade. Such licenses would not be granted if the goods were destined for the Soviet Bloc. The same procedure applied to transit operations, including through transits. These controls were of course only applicable in the event that the goods being unloaded on to Greek soil or into a Greek free zone. If they remained on board, the Greek Government is in the same position as the majority of the participating governments, that is to say they were powerless to interfere with the movement of the goods.

C. Transaction or Financial Controls

No full report of the regulations other than "There is practically no transit or transshipment trade in Greek harbors. Such transactions are subject to license for exchange control purposes".

\* For details on the regulations see Yugoslavia

SECRET

A9

IRAN

DO NOT REPRODUCE

IRAN

A. Freeports

Bushire, freeport\*

B. Transit Controls

Goods having in transit through Iran may enter and leave the country only at places where customs houses have been established for that purpose. Detailed documentation is required by Iranian customs authorities for goods in transit. In practice, there are very few intransit shipments through Iran.

The reexport of specified goods of foreign origin is permitted under a decree of November 11, 1953, which lists five categories of goods eligible for reexport. Reexport of such goods, however, requires the prior approval of a commission established in the Ministry of National Economy, with representatives from a number of other Government departments. Prior to this decree, reexport of imported goods was permissible only by decree of the Council of Ministers, which rarely considered reexport cases. The new procedure represents a more workable machinery for licensing of reexports. It should at the same time provide adequate safeguards against the reexport of strategic items.

C. Financial Controls

Exporters of Iranian goods must sign an undertaking that the exchange derived from the export will be sold to a bank authorized by the Government to deal in foreign exchange.

\* See enclosure for law declaring Bushire a freeport

A10

IRAQ

All

IRELAND

A12

ISRAEL

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### ISRAEL

#### A. Freeports

#### B. Transshipment Controls

The value of intransit trade is small, inasmuch as Israel is bounded on three sides by Arab states with which no legal trade is conducted, but commodities may be entered in bond without becoming subject to export licensing controls. Before reshipment may take place, however, a permit must be obtained from the Office of the Collector of Customs.

#### C. Transactions or Financial Controls

The Israel Government exercises far-reaching control over the use of foreign exchange, and it regularly uses this control to restrict the movement of commodities in international trade. Israeli importers are required to submit comprehensive justifications as to Israel's need for a commodity before they are granted an allocation of foreign exchange. Once the licenses have been granted, it has been to the interest of the Government of Israel to make certain that the commodities are in fact imported and used in the Israeli economy. This identity of interest is a strong safeguard that materials consigned to Israel are not reexported.

ITALY

A13

ITALY

A. Freeports \*

Genoa, free zone  
Naples, free zone  
Venice, free zone  
Leghorn, free zone  
Brindisi, free zone  
Messina, free zone

B. Transshipment Controls

For a full description see enclosed State Rome D-543, 28 Aug. 1953, unclassified. There was some relaxation in October 1953 but documentation is not available.

C. Transaction or Financial Controls

For a full description see enclosed State Rome D-2666, 5 June 1953, Confidential.

\* Note: State Rome D-1407 of 11 Dec. 1953 (unclassified) reported that "it should be noted that the Venice foreign trade zone is still the only presently functioning in Italy".

LEBANON

A14

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LEBANON

A. Freeports

Beirut, foreign trade zone  
Tripoli, foreign trade zone

B. Transit Controls in the port of Beirut

As Enclosure 2 to D-127 of July 22, 1953 from the Embassy at Vienna, the following Lebanese port regulations were received through a Viennese firm which had received then, in turn, from the Adriatica Shipping Co. The latter firm had indicated in December 1952 that these regulations were in current effect for all shipments to be off-laden at Lebanon and which are labeled as destined for Beirut "loco" (internal consumption) or for "Beirut, in-transit for . . ." or for "Beirut, Free Zone, intransit for . . ." --

"1. Shipments for "Beirut" (loco).

The shipping documents must at least specify the valid consignee in the "notify" section. These commodities, which are destined to be used for Lebanon's local requirements, will be deposited in a warehouse.

2. Commodities for Beirut in transit to Syria, Iran, Irak and Jordan.

(a) To Beirut in transit to Syria.

The name of an existing Syrian firm must appear as consignee on the bills of lading in addition to the required declaration "in transit for Syria". In cases where the bills of lading show "to the order" or "to the order of a bank", the section "notify" must be filled in with the name of a Syrian firm.

(b) To Beirut in transit to Iran or Irak.

The declaration "Zone franche (free zone) in transit for . . . (Teheran or Bagdad)" is required on bills of lading. In cases where the bills of lading are made out for Bagdad or Teheran, the destination of the goods must be declared as follows: "Bagdad or Teheran, via Beirut, Free Zone in transit". The end user must be specified at least in the "notify" space in the use of such destinations.

(c) To Beirut in transit to Jordan.

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The declaration "in transit for . . ." (usually Amman), will suffice after the designation, Beirut. The end user must at least appear in the "notify" space in shipments of this type, too.

### 3. French Zone

The designation "Zone Franche" (free zone) after Beirut is, as already pointed out, only required for shipments destined for Iran or Iraq. For other shipments to Beirut, "loco" or "in transit", the addition of "Zone Franche" is optional and provides the right to store the commodity in the warehouse of the free port. This is on condition that the commodity will be re-exported from the inland of Lebanon. These commodities then receive a storage action other than goods which are stored in regular warehouses. (That is, a longer period of storage, a cheaper warehouse tariff and official fire insurance.) Goods that are destined for Syria can not come under these storage regulations, since they are still subject to the Lebanese-Syrian Tariff Union Law."

You will note that it appears from the above that it is contrary to the Lebanese-Syrian Tariff Union Law to mark bills of lading "Free Port" Beirut" in connection with goods which transit Lebanon and Syria. This is a point which we will endeavor to have clarified through the Embassy at Beirut since, if our interpretation of the regulations above is correct, it would appear that the jeep diversion case wherein goods destined for Syria were marked "Beirut Free Zone" on the bill of lading in this country constituted a violation of the Lebanese-Syrian Tariff Union Law.

Of further interest in this general matter of shipments to Beirut are certain comments contained in D-9 of July 1, 1953 from the Beirut Embassy. The Embassy states the following in connection with a shipment of Austrian aluminum which was destined for Beirut "loco" but instead entered the Free Port and was then diverted to Rumania:

"It should be noted, in this connection, that Lebanese law does not require a merchant obtaining an import license actually to import the merchandise into Lebanon. An order may be cancelled without notification to the Lebanese government of such cancellation, or goods may be entered into the Free Zone upon arrival, at the discretion of the importer, even if manifested for Beirut (this would not, however, appear to apply to shipments for Syria if our interpretation of the regulations above is correct). Additionally, no foreign government agency has any jurisdiction over shipments manifested to the Free Zone, unless it can be proven that the manifest itself has been altered after preparation in the port of embarkation of the goods."

As the result of this case, the Embassy indicated that it has been informed by the Lebanese government that "in the future, no import licenses

would be granted to merchants wishing to import strategic materials (into the Lebanese economy) unless a bond, amounting to from 25 to 33% of the value of the order, was posted. This bond would be forfeited if, upon arrival of the merchandise, the merchant entered it into the Free Zone". The Embassy noted that this action went beyond any it had requested. Of course, this bond requirement would not have applied to the jeep shipment since it was for Syria and not for importation into Lebanon. The Embassy's conclusions and recommendations, which date back as far as July 1953, would now seem highly important in retrospect -- "The foregoing case clearly demonstrates the need for tightening up controls over strategic materials, if similar instances are not to be repeated in the future. It also shows the necessity of constant surveillance of the shipment en route, to prevent alteration of documents at transshipment points. By the time such shipments reach Beirut manifested to the Free Zone, Embassy action is foredoomed to failure".

NET HERLANDS.

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NETHERLANDS

A. Freeports

Technically speaking there are no freeports in the Netherlands, however, Rotterdam is advertized in trade journals as "Freer than a Freeport".

B. Transshipment Controls

The Netherlands have no transshipment controls at present, however, it should be noted that the Dutch are concerned with a legal situation particularly as to who holds legal title to the goods while in transit. To date the Dutch have not changed their position of refusing to interfere in any way with the instructions of the legal owner contending that the Netherlands will not and could not assume responsibility for stoppage or for the demurrage charges which would arise. The Dutch will go along with the TAC scheme if the UK adopts transaction controls.

C. Transaction or Financial Controls

Any person or firm resident in the Netherlands needs a license from the Nederlandsche Bank before purchasing goods abroad for any purpose other than import into the Netherlands or consumption or use in the country of purchase. As an agent does not act in his own name, the required foreign exchange license has to be applied for by the person for the firm who is acting as principal.

When foreign exchange is paid in advance the merchant can only dispose of same by way of a license which at the same time permits the sale of the specified goods to the country stated. The same applies for currency held in another country.

As a rule any merchanting transaction requires a specific permission. General license for the trading in specified commodities - never being goods of a strategic value - are issued to a small number of large and well known merchanting firms of most reputable standing.

As stated in para. 2 the license not only permits the use of foreign exchange but at the same time it authorizes the disposal of the goods specified in the license. In case the merchant misuses his exchange control permission he can be prosecuted for the offense of having made misleading statements under the Foreign Exchange Regulations and under the Penal Code.

"De Nederlandsche Bank" checks all descriptions of the goods stated in the license applications

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the license applications on their strategic value. The license only permits that payments are received from the purchasing country mentioned in the license. Before a license for a transaction in strategic goods is issued the applicant should submit to "De Nederlandsche Bank" evidence concerning the end-use of the goods, while after completion of the transaction the arrival of the goods at the authorized destination may be verified.

In the Netherlands no difference is made with respect to nationals and non-nationals.

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NORWAY

NORWAY

A. Freeports

There are no official freeports in Norway as in Denmark and Sweden but in Oslo there is a free Customs warehouse where goods can be brought in for repacking, remarking, examination etc.

B. Transshipment Controls

Norway has a transshipment licensing system for land, sea and air traffic for all goods unless they are on a through bill of lading. In which case they can be sent forward to the consignee within 90 days without license. The country of origin must take responsibility that the shipment does not include strategic materials destined for the Soviet Bloc. This control covers: (a) goods landed on the quay side for transference to another ship, (b) goods transferred direct or by means of lighter or other craft, and (c) goods landed and kept in bond, but there is no legislation providing for control of foreign ships calling in Norwegian ports without unloading. These controls are not waived for any area or special zones in Norway, and it is assumed that goods falling under a-c are treated under the same control in airports and at land frontiers.

The ordinary documentation is required i.e., the bill of lading. The Customs authorities check that the goods correspond to the description given in the movement papers. The only exception from transshipment controls is the purchase of equipment by Norwegian and foreign vessels in Norwegian ports of the equipment is needed by the ship to reach her next port of call. All regulations are applicable to nationals and non-nationals alike. No area or zone is exempt from these regulations.

C. Transactions and Financial Controls

All persons and firms resident in Norway are required to obtain the approval of the Exchange control office before purchasing any goods abroad in any currency for any purpose other than import into Norway or for consumption or use in the country of purchase. This only holds if the transaction involves the use of Norwegian foreign currency resources.

The usual currency license is required when foreign exchange is paid in advance by the ultimate purchaser of the goods. All earnings in foreign currency should be transferred to the Bank of Norway. An exception is

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exception is granted to shipowners and insurance companies, subject to certain conditions i.e., accountability to the Bank of Norway. The exception is limited to certain specified uses and does not apply to ordinary commercial transactions. Norway has no currency retention scheme.

General authorizations can be issued to selected firms or individuals under existing provisions but none had been granted as of Feb.'53.

If the goods involved are consumed in Norway or pass through Norway, the Norwegian authority can verify whether the currency has been used according to the license. If the Norwegian resident arranges the transaction in the capacity of an agent, the transaction does not involve use of Norwegian foreign currency resources, and if the transaction takes place within a general authorization there is no automatic control. According to the present provisions, however, the authorities may control accounts and correspondence, by which control the bona fide character of a transaction can be verified.

Regulations apply to nationals and non-nationals alike.

SECRET

-2-

PORTUGAL

AT

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PORTUGAL

A. Freeports

Lisbon, there have been rumors that Lisbon will be made a freeport.

B. Transshipment Controls

The transfer of cargo merchandise in Metropolitan Portugal is carried out under the following three types of regulations; (a) transshipment, (b) transit, (c) re-export.

- (a) Transshipment of merchandise from Foreign or Overseas origin and consigned to Foreign or Overseas Territories, whether arrived by sea or air is permitted, provided that exit is by same means as those of arrival. All merchandise under this category is not subject in Metropolitan Portugal to any licensing.
- (b) Transit of merchandise from Foreign or Overseas origin and consigned to Foreign or Overseas Territories is permitted regardless of the arrival and departure means of transport, provided the two following conditions are complied with:
  - (1) that the legal supporting documents to accompany said merchandise indicate clearly that it is for transit;
  - (2) that the respective expedition be carried out within a maximum of two months.

All merchandise under this category is not subject, in Metropolitan Portugal, to any licensing.

- (c) Foreign merchandise and products of the Overseas Territories which are to be dispatched to Foreign Countries or said Provinces must have a re-export clearance despatch. This merchandise is subject to licensing. Without the respective license, the clearance despatch cannot be started and, consequently the merchandise cannot be loaded.

This regime is of a general nature and not restricted. There is, therefore, no list of the merchandise covered by it.

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C. Transaction or Financial Controls

1. Authorization from the Bank of Portugal is required for the purchase of goods; (a) for consumption in Portugal, (b) which are exported from certain countries to, or for consumption by a country other than Portugal.

This regulation applies to all persons and firms resident in the Portuguese monetary zone. It should nevertheless be pointed out: (a) that for several years, as far as is known, no transaction of this nature has been submitted for consideration by the Bank of Portugal and; (b) that, in the event of such a transaction being submitted for consideration by the Bank of Portugal and calling for payment in the currency of any country belonging to the European Payments Union, any authorization which might be given to enable the transaction to take place would always depend on previous agreement having been given by the competent financial authorities in that country, to whom the banking establishment in the Portuguese banking zone acting as intermediary would submit full details through their banking correspondent.

2. When foreign exchange is paid in advance by the purchaser the banking establishments in the Portuguese monetary zone do not require any authorization from the Bank of Portugal before accepting any sum in foreign currency, except in the case of United States dollars, when this sum concerns:
  - (a) Payment for goods exported from this zone under cover of the relevant export permit;
  - (b) Payment for duly-certified services rendered to Portugal by the country concerned in the transfer of funds, up to a limit of \$100,000.

Thus, in the event of payment in advance for goods to be exported from any country to another foreign country, it would be necessary for the banking establishment in the Portuguese monetary zone to obtain prior authority from the Bank of Portugal enabling them to accept, on behalf of a person or firm resident in that zone, any sum relating to such a payment.

For the second part of the transaction, i.e., the payment to be made abroad, the procedure is that set out in paragraph one.

3. When the foreign exchange is held by the person or firm ordering in Portugal in a bank account abroad.

In this case, the holder of a foreign exchange account in a foreign bank, even if resident in Portugal, does not need authority from the Bank of Portugal

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Bank of Portugal in order to be able to make use of his balance by an order to pay or by direct withdrawal.

Since there is thus a possibility of these orders to pay being sent direct, and therefore without the intervention of any Portuguese banking establishment, it is logical to assume that their execution should be liable to control in accordance with the system in force in the country in which the issuing bank is situated.

4. When the foreign exchange is held by the person or firm ordering in Portugal in a bank account in Portugal.

All transactions not foreseen in the "Norms" and "Regulating Instructions" must be submitted for previous consideration by the Bank of Portugal. As the utilization of balances in foreign exchange held, in the name of residents or non-residents in the Portuguese monetary zone, in any banking establishment in that zone is not provided for under the "Norms" and "Regulating Instructions", the transactions involved are therefore dependent upon prior authority from the Bank of Portugal.

5. General permits (permissions) are not granted. The authorization is always individual and obligatory for each commercial transaction.
6. The "Norms" and "Regulating Instructions" in force as regards exchange control are applied without distinction to nationals and non-nationals residing in Portugal.
7. Portuguese controls provide checks that granted foreign exchange is not spent on the purchase of strategic goods for the Bloc, i.e.,

- (a) Re-export of goods from a foreign country to another foreign country, to be paid for by Portuguese intermediaries.

In view of the special nature of this transaction, there would be no possibility of obtaining the necessary permit from the Bank of Portugal unless, after examination of the documents concerned, the Bank is able to draw the conclusion that the goods in question are not destined for the Soviet Bloc or China.

- (b) Export of goods from a foreign country to center of the Portuguese monetary zone.

Authority for the payment involved is only granted by the Bank of Portugal after the importer has shown proof, through the intervention of the Banking establishment

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establishment responsible for the transaction, that the competent authorities in the zone concerned have authorized import of the goods in question on the express condition that these goods are destined exclusively for consumption within the zone.

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SPAIN

A18

A19

SWEDEN

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SWEDEN


A. Freeports

Gothenburg, foreign trade zone  
Malmo, foreign trade zone  
Stockholm, foreign trade zone

B. Freeport Regulations

Malmo

The management of the Freeport has been entrusted by the city to the Malmo Free Port Company, which also carries out all work in the freeport. Owing to the quite modern equipment and excellent facilities of the port the company is in a position to charge exceedingly low rates for the work effected. Shipping is facilitated because vessels can enter the Freeport, discharge and load their cargoes without any Customs control, which means a saving of time as compared with the traffic in a so-called customs port, where customs inspection and other formalities have to be carried out before the goods can be discharged. Suitable offices and warehouses can be acquired within the area of the Freeport, where goods can be unpacked, sorted, blended, and packed without any Customs inspection. Inside the Freeport the goods are outside the territory of the Customs Authorities. Faulty goods can be returned without any customs formalities. Capital need not be unnecessarily tied up in customs fees, for goods can remain in the Freeport area for any length of time and the owner is not called on to pay customs fees and duty until the goods are removed after customs clearance. This may often prove to be a great advantage. If goods are stored in the customs harbor for more than 15 days without being cleared through the customs, the owner has to pay a penalty, so-called respits payment and after 30 days the goods are forcibly sold at auction. Goods stored in the Freeport, however, may remain there for any length of time without being entered at the Customs. As a rule, money can be raised on goods warehoused in the Freeport. A special advantage offered by Malmo Free Port is that no harbor dues are paid on goods, provided they arrive and leave by water. For business in Sweden or abroad it is especially convenient and safe to have their goods handled by the Free Port Company, which is entirely responsible for them and is in a position to provide the most efficient storage accommodations, where the goods are protected and insured in the best possible manner.



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SWITZERLAND

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SWITZERLAND

A. Freeports

Basel, foreign trade zone  
St. Gallen, foreign trade zone  
Zurich-Albisrieden, foreign trade zone  
Aarau, free trade port  
Basel-Rheinhafen, free trade port  
Basel-Dreisplatz, free trade port  
Basel-Swiss National Railway, free trade port  
Chiasso, free trade port  
Geneve-Cornavin Railway Station, free trade port under different  
governing authority  
Geneve-Rive, free trade port  
Geneve-Vernier, free trade port  
Lausanne, free trade port  
St. Gallen, free trade port  
Zurich-Albisrieden, free trade port  
Geneve-Gax, free trade port  
Buchs (Liechtenstein border) free trade port

B. Transshipment Controls

Four major Swiss freeport companies in March 1953 placed restrictions on the use of freeports in Switzerland. These companies of Geneva, Basel, Chiasso, and Zurich addressed a confidential letter to a number of forwarding companies involved in East-West trade transactions stating the following:

- a. Consignments leaving the freeports may no longer be dispatched giving the freeport address as consignor. The original consignor must always be given.
- b. Old markings on cases may not be obliterated on freeport premises but must be shown in addition to any new markings put on.
- c. Repacking of goods may no longer be undertaken on freeport premises.

Exceptions to these rules can only be made for old-established and legitimate customers, such as Paul Reinart & Cie, Winterthur, food importers, whose business makes it essential for them to break up bulk consignments and redispach them from the freeport premises. General Transport lost all freeport privileges in May 1953.

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It should also be noted that in October, 1953, the Swiss Government was ready to adopt transit controls (which appear stricter than proposed COMCOM controls) but failed to do so when they learned that COMCOM Members had not adopted the TAC Scheme. See attached EDAC Doc. ED/EC D-29, 6 Aug. '53, Secret.

C. Transaction or Financial Controls

See attached EDAC Doc. ED/EC D-17, 2 June '53, Confidential. The only other information available in our files states that the Swiss "Form 7a "Credit Declaration" carries with it the penalty acknowledged by the exporter's signature, that if diversion takes place the exporter will be required to refund the entire amount paid to him".

SYRIA

A21

SYRIA

A. Freeports

Damascus, free trade zone  
Latakia, freeport

B. Freeport Regulations

1. A freeport was established in Latakia according to the Ministry of Finance, Decree #386 of 28 August 1952. The zone is administered by the Latakia Port Company in compliance with customs' rules and regulations in force. Goods imported into the free customs' zone are not subject to the import and export regulations normally applied by the Ministry of National Economy. (Damascus D-243, 22 October 1952, UNCLASSIFIED)
2. Damascus has a free zone. According to insurance sources, Syrian authorities had the following plans in June 1953:
  - a. To extend the free zone to cover 100,000 square meters.
  - b. To include two zones - namely, an International Free Zone and a zone for commercial warehouses, exhibition halls for machinery, carpets, and automobiles.
  - c. To include small industries in the latter zone.
  - d. To provide soon a railway line which will connect the Free Zone with the railway from Beirut to Amman.

The purpose of the Free Zone is to encourage the transit of goods to Iraq, Kuwait, Jordan, and Arabia.

TANGIER

A22

TRIESTE

A23

TURKEY

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TURKEY

A. Freeports

Iskenderun, free zone

B. Transshipment Controls

There is no large amount of intransit trade in Turkey. All intransit goods arriving in Turkey, however, must carry on all shipping documents (including bill of lading and ship manifest) and outer containers the name of the Turkish port, the phrase "in transit to" and the name of the city and country of destination.

Generally, goods moving intransit through Turkey may be imported only through customs warehouses. Extensive documentation, including a re-export license is required for clearance by the Turkish Customs Administration.

C. Transaction or Financial Controls

Export control measures are designed for two purposes: (a) to keep a check on outgoing strategic or short-supply materials, and (b) they are instituted also for foreign exchange reasons. For price checking purposes in order that foreign exchange losses can be prevented, exporters must register with agencies designated by the Ministry of Finance. Customs authorities do not permit exportation without a certificate of registration and destination. All foreign currency receipts are turned over to the Central Bank of Turkey.

UNITED KINGDOM

A25

SECRET

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UNITED KINGDOM

A. Freeports

There are no freeports in England itself but among the colonies and protectorates there are freeports in Aden, Gibraltar, Hong Kong, and Penang.

B. Transshipment Controls Introduced October 1951

The United Kingdom requires individual transshipment licenses for sea, land, and air traffic in Munition List items, most items on List I, all metal-working machine-tools, a few List II items and rubber, if transshipped to any destination except the Commonwealth (other than Hong Kong), Irish Republic and the United States. The controls cover: (a) goods landed on the Quay side for transference to another ship, (b) goods landed and kept in bond, and (d) technically to goods which stay on board but in practice the control is not exercised in circumstances. Before any goods may be transhipped, Customs requires that they shall be entered with them on documents covering their importation and exportation. If they are subject to transshipment license it must be applied for formally and presented to Customs with the above mentioned documents. No area or zone is exempt from these regulations.

The system of control applying to airports is also similar to that at the sea ports except that a special arrangement has been made to cover cargoes on through consignment notes merely being transferred from one aircraft to another in the course of a through journey provided that no one in the UK has a beneficial interest in the transaction: those are dealt with on the same basis as that applied to "goods remaining on board ship". Controls do not apply to transit mail (including parcel post) unless addressed to a UK person or firm for on forward.

As a check that the goods have not been misdescribed or their destination misrepresented and that where necessary a license has been obtained, Customs scrutinize the various documents presented to them and compare on a selective basis the descriptions and declared destinations against a physical examination of the goods.

The question of nationality of the firm or person involved does not affect the regulations.

Certain changes in coverage were made in September 1953. See attachment.

C. Transaction or financial Controls

Without going into all the details of the UK Exchange Control Law it is enough to say that they do not assure that currency allotted for a merchandising transaction is in fact spent on particular goods where those goods do not come into the UK.

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YUGOSLAVIA

A26

YUGOSLAVIA

A. Freeports

Fiume, a pre-war free zone when controlled by Italy but no post-war information

Salonika, Greece has a free zone area for Yugoslavia

B. Freeport Regulations

Salonika's Yugoslav free zone

By virtue of a number of agreements between Greece and Yugoslavia, of which the basic one was signed in 1923, Yugoslavia has a fifty year lease dating from 1923 on an area in the port of Salonika known as the Yugoslav Free Zone. The buildings, docks, railroads, and other materials in this zone were destroyed by the Germans during the occupation along with the rest of the port. Yugoslavia undertook the rehabilitation of the free zone in late 1953 and by January 1954 the railroad line in the free zone had been established. However, it will be necessary to clear the entire quay area of buildings which have been damaged beyond repair before new modern warehouses can be constructed.

A merger has been effected by the Port Fund Authority and the Salonika Free Zone which will increase efficiency, lower port charges, reduce personnel and other administrative expenses. The new organization will be known as the "Free Zone and Port of Salonika".

No information is available on the actual control over goods which will pass through the area.

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B

Freeports

1. List of Freeports in Europe and the Near East
2. List of Free Zones in Airports of Europe and the Near East

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BI

CHRONOLOGY OF COCOM TRANSIT TRADE DISCUSSIONS

1948-53

B2

B2

PROPOSED TRANSACTIONS CONTROLS IN COCOM

(With UNCLASSIFIED Sections)

NIMC Fact Sheet #28  
March 20, 1954

TRANSACTION CONTROLS

1. UNCLASSIFIED. Effective June 29, 1953, the Secretary of Treasury issued new regulations prohibiting persons in the United States from participating in the purchase or sale of certain commodities for ultimate shipment from any foreign country to any Soviet-bloc country, except pursuant to Treasury license. The commodities affected are those which are included in the United States Positive List and followed on that List by the letter A. BEGIN CONFIDENTIAL. (This list of items is equivalent to International List I and II, plus certain U.S. List I A and II B items covered by basket categories which also include I/L I or II items). END CONFIDENTIAL. In addition, the prohibition is also specifically applicable to arms, ammunition, implements of war, helium, gold, narcotics, and atomic energy materials.
2. BEGIN CONFIDENTIAL. The proposal for transaction controls was developed within the EDAC structure as a result of suggestions in CoCom by certain foreign governments primarily the Dutch. The issuance of regulations incorporating the proposal was recommended to the Treasury Department by the Advisory Committee and their enactment was approved by the NSC. At the time of issuance it was noted that the new regulations were not aimed at Soviet bloc trade legitimately conducted under strict regulation of the International Security Control system, although it was recognized that certain such transactions by residents of the U.S. would now be prohibited except under Treasury license. The regulations were intended to fill a gap in U.S. controls under which heretofore traders in the U.S. without violating any U.S. regulation, could have arranged transactions whereby strategic goods would reach the Soviet bloc -- either in contravention of other countries' security controls, through loopholes in the existing control system, or via countries without adequate controls.
3. The significance and desirability of the regulations pertain principally to our CoCom program in which we are pressing for multilateral acceptance of the companion measures of trans-shipment and transactions controls as a means of stopping diversions of strategic goods to the bloc through transit free port facilities in western Europe. The Dutch especially have been unwilling to agree to the establishment of a licensing system for transit trade areas unless at the same time there was some control by countries, particularly the United Kingdom, of the transactions of their nationals of the type now in force in the U.S. As a practical matter, it has not appeared that there has been a need for such controls over the activities of U.S. residents involved in foreign transactions with the Soviet bloc. The importance of these regulations lies in the fact that they may aid us in persuading other countries to adopt the more necessary trans-shipment controls.
4. The Netherlands, Belgium, Luxembourg, Austria, Denmark, West Germany, France and Switzerland have in effect formal or informal foreign exchange controls which permit strategic screening of proposed exchange transactions in advance of approval, and thus accomplish the purpose of the controls. Approved For Release 2001/11/01 : CIA-RDP64-00014A000100070010-4 controls. Certain other countries have indicated a willingness to establish

5. Thus far, only one U. S. resident, the owner of an Austrian firm, has applied to Treasury for licenses under the new regulations; several other firms, however, have made informal inquiries. Two licenses have been issued to this firm for the shipment of goods properly licensed for export by the Austrian Government in consultation with the American Embassy in Vienna. In addition, Treasury has investigated, or is in process of investigating reports of transactions which would be illegal under its regulations. To date no court action has been initiated. END CONFIDENTIAL.

PROPOSED CUCM TRANSIT AUTHORIZATION CERTIFICATE SCHEME

B3

SECRET

Appendix 1 to CoCom Sub-C (53) 44

TRANSIT AUTHORIZATION CERTIFICATE SCHEME

TO CONTROL THE SHIPMENT OF STRATEGIC GOODS

In Transit

1. Primary responsibility for the control of the final destination of strategic goods rests with the exporting country, irrespective of the residence of the owner of these goods. Participating countries should see that, as far as possible, these controls are not frustrated by diversions in their countries. The expression "source-country" used below refers only to Paris Group countries and to those third countries which are prepared to cooperate.
2. If it is made clear to the transshipping country that the source country agrees with the final destination being the Soviet Bloc, the transshipping country need not interfere with the movement of the goods.
3. The source country will issue a transshipment authorization (T.A.) in the case of it accepting responsibility for the final destination being the Soviet Bloc.
4. The transshipping country will only allow shipments in transit of strategic goods (see 9 below) from source countries where the destination is stated or known to be the Soviet Bloc if a T. A. is presented for the shipment.
5. If it is clear to a transshipping country that a resident of a participating country acts as a principal in a transaction involving the shipment of goods from a country not cooperating in the scheme to the Soviet Bloc, the transshipping country will not allow the shipment in transit unless a T. A. issued by the country of residence of the principal, is submitted.
6. This scheme covers every kind of shipment in transit from source countries. Exception may have to be made in cases where the goods in transit are not unloaded.
7. This scheme applies to all shipments in transit within the geographical limits of the participating countries.
8. The submission of T. A.'s should be compulsory with regard to shipments in transit when the destination is the Soviet Bloc.

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9. The coverage of goods under this scheme will be limited to an agreed selection of strategic commodities, which would also be subject to financial or transaction controls. The items selected for transshipment control will have to satisfy two criteria: -

- (a) They must be of a kind readily recognizable at Customs control points;
- (b) They must be of a nature likely to be transshipped or known to have been transshipped in the past.

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Appendix A to CoCom Document No. 1335

APPENDIX A

LIST OF ITEMS FOR CONTROL

- A. Items on the common Munitions Reference List -  
CoCom Document 28 (to be specified).
- B. Tractors, 60 belt h.p. and over  
Diamonds suitable for industrial use.  
Graphite in crude form (artificial and natural).  
Automotive vehicles or chassis in which power may be supplied to all wheels.  
Landing mats for aircraft.  
Railway rails.  
Ball and roller bearings and parts.  
Metal pipe and tubing, seamless, as follows: (cast iron not included)  
    (a) steel n.e.s.  
    (b) platinum  
Scrap iron and steel

Metals in the following forms (if applicable):

ores, concentrates, matte\*, and scrap; ferro-alloys\*; and metal in crude and semi-fabricated forms (including anodes, cathodes, electrodes, welding rods cable and wire); as follows:

Aluminum	Molybdenum
Bismuth	Nickel
Cadmium	Platinum
Lead	Sodium
Calcium	Strontium
Cobalt	Tungsten
Columbium	Tantalum
Copper	Titanium
Germanium	Vanadium
*Magnesium	Zirconium

Ferro-thorium  
Ferro-uranium

Carbon black

Crude petroleum  
Diesel oil  
Fuel oil  
Gasoline (motor and aviation)  
Kerosene

Chlorofluoromethanes  
Phenol  
Sulphur  
Sulphuric acid 93% and stronger including oleum.

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LATEST US POSITION ON TRANSACTIONS CONTROL AND TAG SCHEME

LIST OF FREEPORTS IN EUROPE AND THE NEAR EAST

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**FREEPORTS IN EUROPE AND THE NEAR EAST**

**AUSTRIA**

1. Innsbruck, free zone
2. Albon, free zone

**BELGIUM**

1. Antwerp, free trade facilities, not official zone

**DENMARK**

1. Copenhagen, foreign trade zone

**EGYPT**

1. Alexandria, foreign trade zone
2. Port Said, foreign trade zone

**FINLAND**

1. Hangö,

**FRANCE**

1. Cex, free trade zone
2. Haute Savoy, free trade zone
3. Bonded warehouse facilities in major ports

**GERMANY**

1. Hamburg, foreign trade zone
2. Kiel, foreign trade zone
3. Bremen, foreign trade zone
4. Emden, foreign trade zone
5. Flensburg, foreign trade zone

**GREECE**

1. Piraeus, foreign trade zone
2. Salonika, foreign trade zone including Yugoslavian area

**IRAN**

1. Bushire, freeport

**IRELAND**

1. Shannon airport

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ITALY

1. Genoa, free zone
2. Naples, free zone
3. Venice, free zone
4. Leghorn, free zone
5. Brindisi, free zone

ISRAEL

(Tel Aviv, Haifa no official documentation)

LEBANON

1. Beirut, foreign trade zone
2. Tripoli, foreign trade zone

NETHERLANDS

No official free zones, however, Rotterdam and Amsterdam have facilities.

NORWAY

No free zones. Oslo has bonded warehouse facilities.

PORTUGAL

No official free zones, however, there have been rumors of the establishment of a zone in Lisbon.

SPAIN

Free Deposits (Depositos Francos)

1. Almeria
2. Barcelona
3. Bilbao
4. Cadiz
5. Gijon
6. Santander
7. Vigo

Commercial Deposits (Depositos de Comercio)

1. Barcelona
2. Cadiz
3. Coruna
4. Gijon-Musel
5. Huelva
6. Mahon
7. Malaga

8. Seville
9. Valencia

Freeports (Puertos Francos)

1. Albucemas
2. Canary Islands ports - Las Palmas, Santa Cruz de Tenerife, Santa Cruz de la Palma, Arecife, San Sebastian, Valverde, Puerto de la Cruz, Sardinia, and Puerto de Cabrus
3. Chafarinas
4. Ceuta
5. Melilla

Free Zones (Zonas Francas)

- |              |   |  |
|--------------|---|--|
| 1. Barcelona | } | The facilities of these zones are not yet in operation |
| 2. Cadiz     |   |  |
| 3. Vigo      |   |  |

SWEDEN

1. Stockholm, foreign trade zone
2. Gothenburg, foreign trade zone
3. Malmo, foreign trade zone

SWITZERLAND

Foreign Trade Zones

1. Basel
2. St. Gallen
3. Zurich-Albisrieden

Free trade ports

1. Aarau
2. Basel - Dreispitz
3. Basel - Rheinhafen
4. Basel - Swiss National Railway
5. Chiasso
6. Geneva-Cornavin Railway Station (under different governing authorities)
7. Geneva-Rive
8. Geneva-Vernier
9. Lausanne
10. St. Gallen
11. Zurich-Albisrieden
12. Geneva-Cex
13. Buchs (Liechtenstein border)

SYRIA

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1. Damascus, free zone
  2. Latakia, free zone

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TRIESTE

Free Trade zone

TURKEY

1. Iskenderun, freeport

UNITED KINGDOM

No freeports - freeports in colonies

Freeports in the Colonies or Protectorates

1. Aden, free trade port
2. Gibraltar, freeport
3. Hong Kong, free trade port
4. Penang, Federation of Malaya, free imports

YUGOSLAVIA

See Salonika, Greece

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LIST OF FREE ZONES IN AIRPORTS OF EUROPE AND THE NEAR EAST

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